



MIDLAND HOLDINGS

2022 Annual Results

Annual 2022 RESULTS

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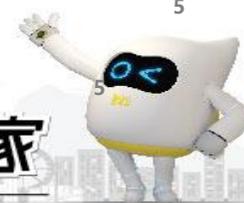


2022 Annual Results Highlights

2022 Final Results Highlights

	2022 (HK\$' 000)	2021 (HK\$' 000)	Y o Y
Revenue	3,115,143	6,001,432	- 48.1%
Operating Costs*	3,720,313	5,879,906	- 36.7%
Operating (Loss)	(591,572)	133,753	N/A
(Loss) for the Year	(533,971)	100,213	N/A

* Excluded other income and gains, but included the interest on lease liabilities.



Reasons for the Loss

Loss Obtained

- A Loss of **\$534M** was recorded.
- Revenue decreased **48.1 %**

Reasons

01

A significant decline in the transaction volume of residential property sales in Hong Kong of around 40%, a new low in 27 years since 1996. Such decline was caused by multiple negative factors including (i) COVID-related restrictions and measures in Hong Kong; (ii) interest rate hikes; (iii) slowdown in sales launch of first-hand properties and the transaction volume of new residential units dropped nearly 40% year-on-year; (iv) poor investment sentiment; and (v) prolonged closing of the border between Hong Kong and Mainland China;

02

Despite the Group's best efforts, limited rental concessions granted by the landlords;

03

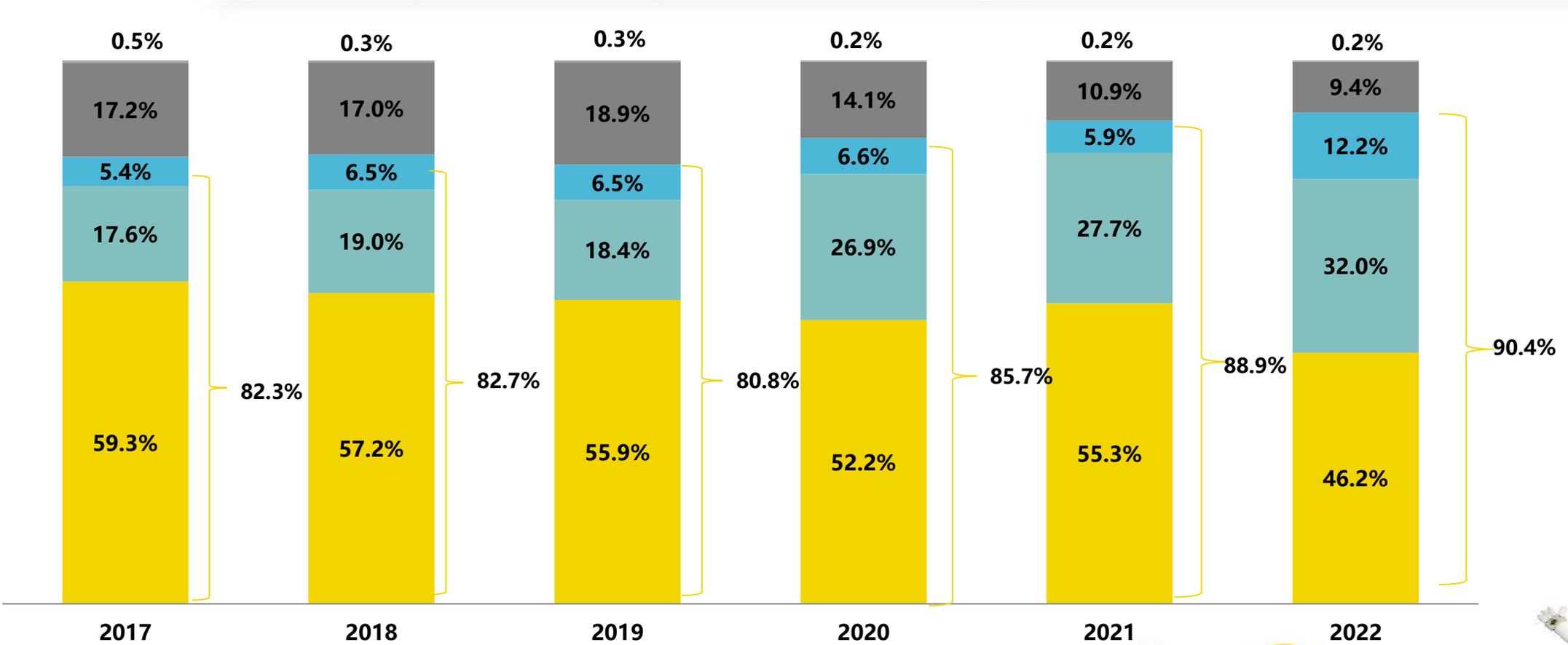
Business in Mainland China suffered from poor market conditions in view of the lockdowns and other COVID-related measures and the loss of buyers' confidence in the presale of uncompleted properties.

Key Financial Highlights – Revenue

Year 2022 vs 2021

- Revenue of the HK residential market decreased 47% while that from mainland operation (agency fee only) decreased 56%
- Revenue from secondary markets decreased

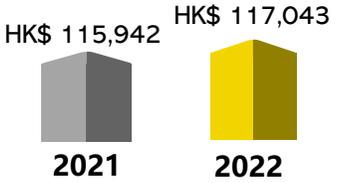
■ Primary homes ■ Secondary homes ■ Rental ■ China properties ■ Macau



Changes in Costs

Advertisements & Promotions

(HK\$'000)

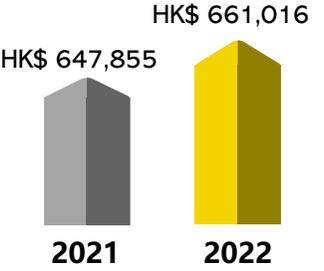


+ 0.9 % YoY

Expenses on digital areas increased but that of traditional platform continued to drop

Rental Expenses*

(HK\$'000)

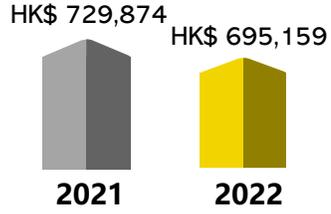


+ 2.0 % YoY

- Limited rental concessions granted by the landlords
- The savings from the downsizing in the second half of 2022 were not fully reflected.

Frontline Staff Salaries

(HK\$'000)

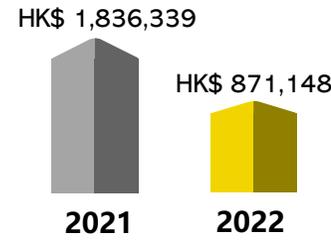


- 4.8 % YoY

- Decrease in average number of frontline staff
- Launched No-Paid-Leave scheme to reduce staff costs

Staff Commissions

(HK\$'000)

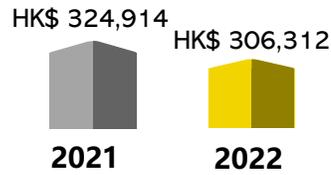


- 52.6 % YoY

Drop in payout ratio resulted in staff commission expenses falling more than the revenue

Non Sales Salaries

(HK\$'000)



- 5.7 % YoY

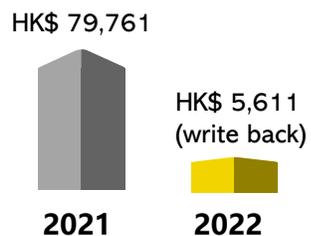
- Number of non-sales staff went down
- Bonus was cut

* Rental expenses represented the operating lease charges, the amortization of right-of-use assets and interest expenses on lease liabilities.

Changes in Costs

Impairment of Receivables

(HK\$'000)

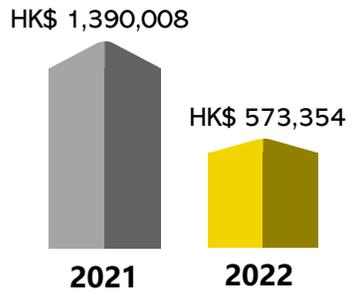


N/A YoY

For our mainland china division, the amount of account receivables dropped and a reversal of impairment was recorded

Rebate Incentives: To Customers

(HK\$'000)

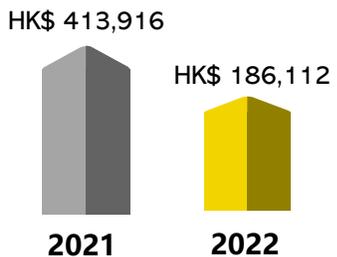


- 58.8 % YoY

Because of the underperformance of the local primary market

Rebate Incentives: To Co-operative Estate Agents

(HK\$'000)

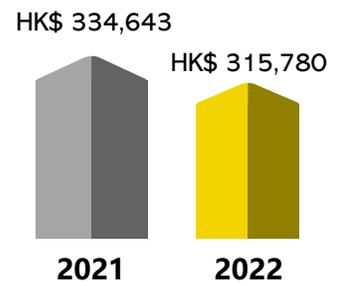


- 55.0 % YoY

Because of
 1. The underperformance of the local primary market
 2. Drop in transaction volume and value in Mainland China

Depreciation, Amortization and Other Operating Costs

(HK\$'000)



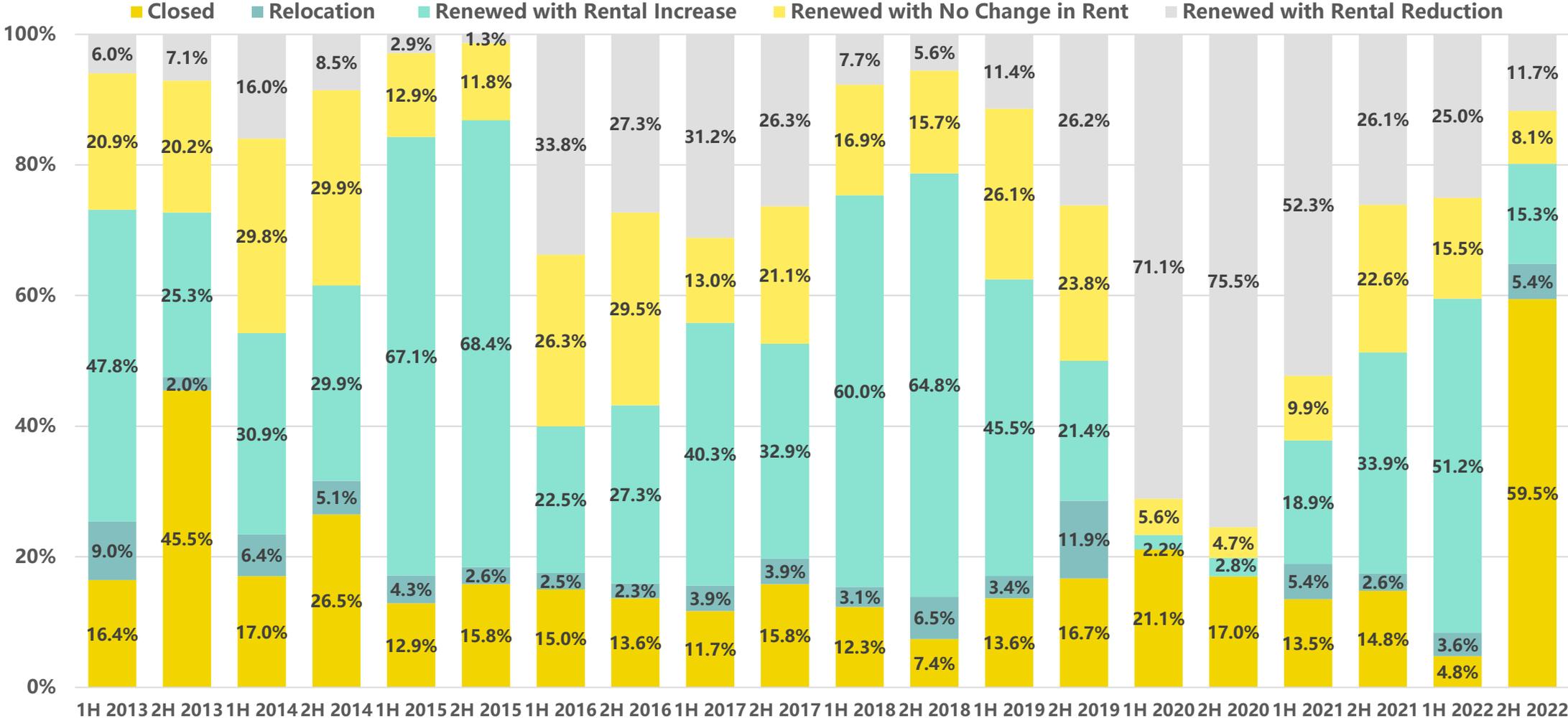
- 5.6 % YoY

The decrease mainly came from the mainland operation.
 1. Reversal of lease liabilities upon early termination
 2. Less impairment on right-of-use of assets was made due to drop in new branches



HK Operation : Negotiations on Leases

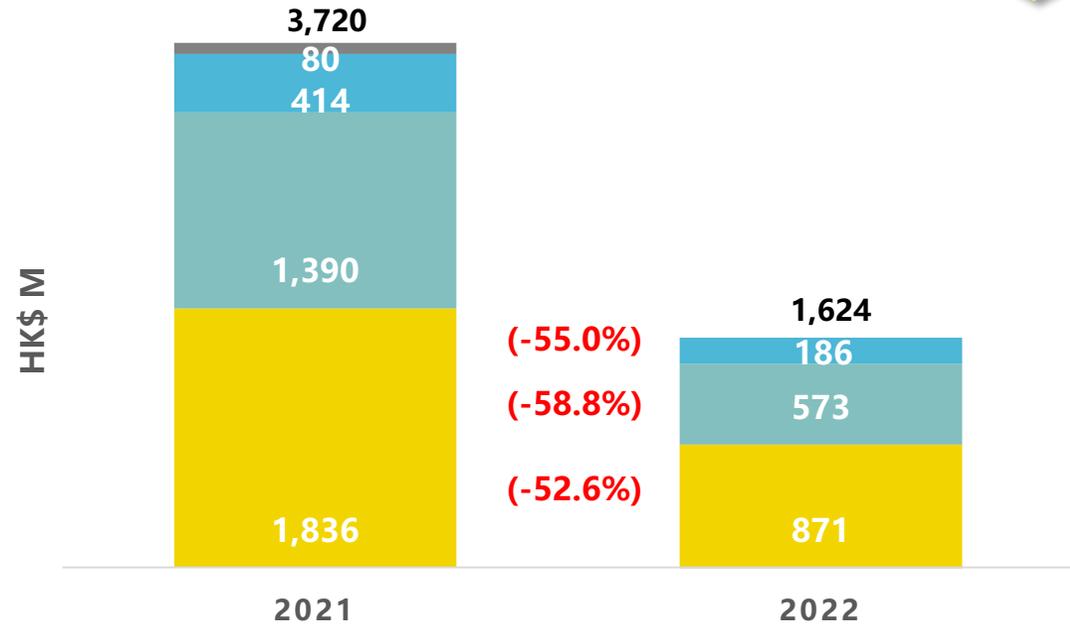
Not easy to obtain rental reduction in 2022



Key Financial Highlights – Variable Vs Hard

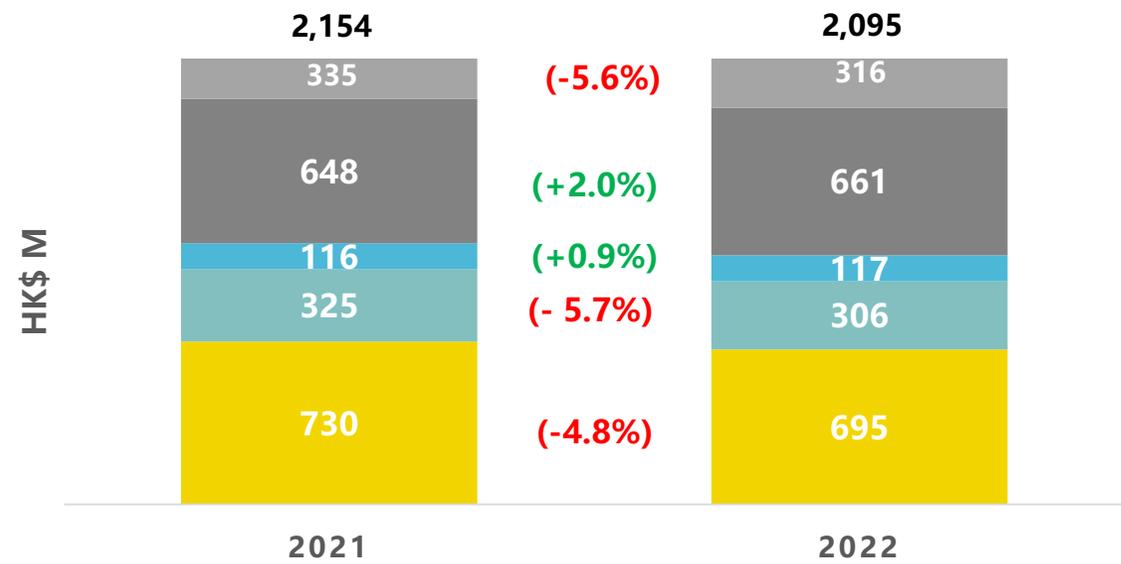
Variable Costs

- Staff Commissions
- Rebate Incentives: To Customers
- Rebate Incentives: To Co-operative Estate Agents
- Impairment of Receivables



Hard Costs

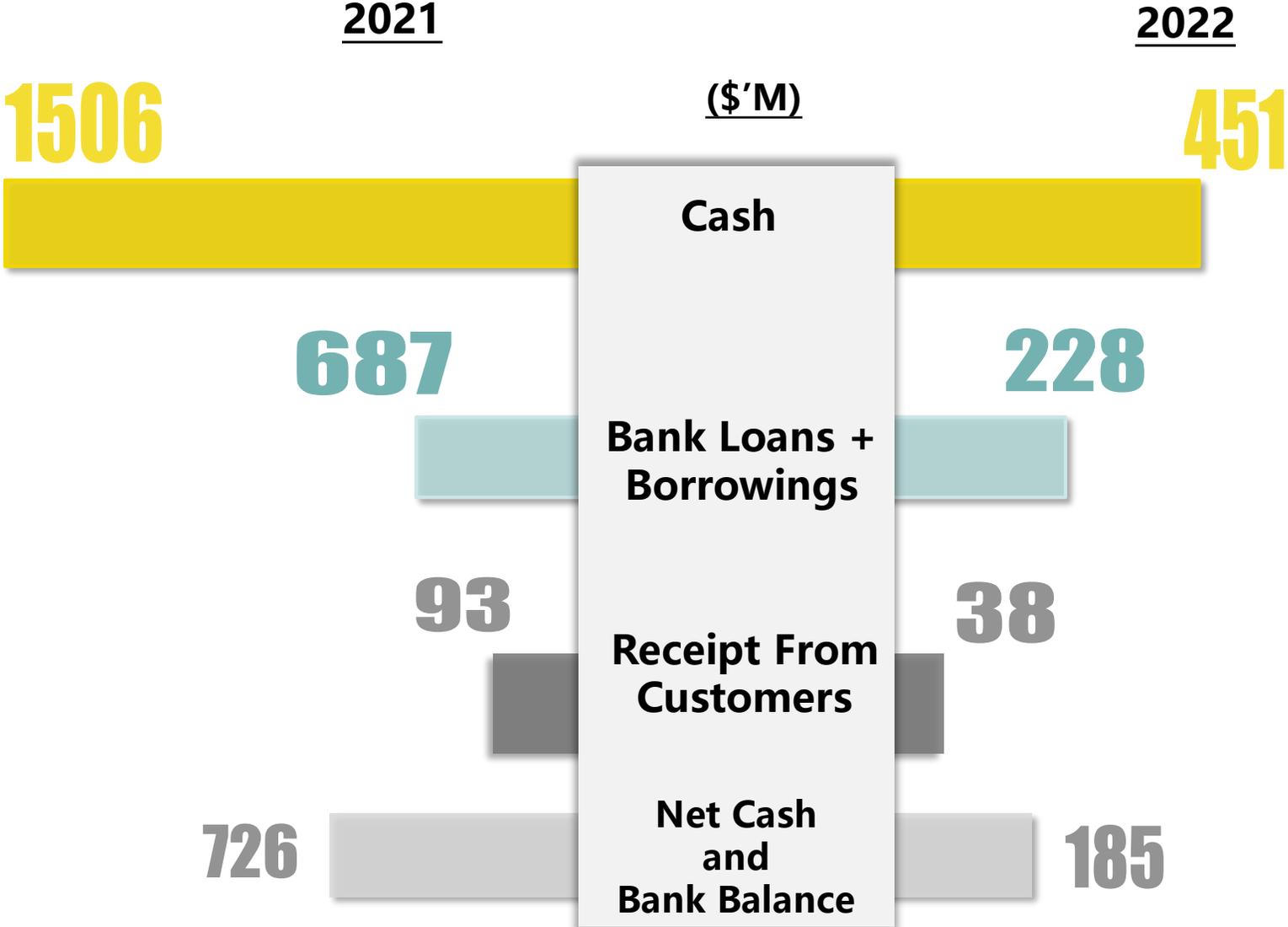
- Frontline Staff Salaries
- Non Sales Salaries
- Advertisements & Promotions
- Rental Expenses*
- Depreciation, Amortization and Other Operating Costs



* Rental expenses represented the operating lease charges, the amortization of right-of-use assets and interest expenses on lease liabilities.



Decrease in Net Cash

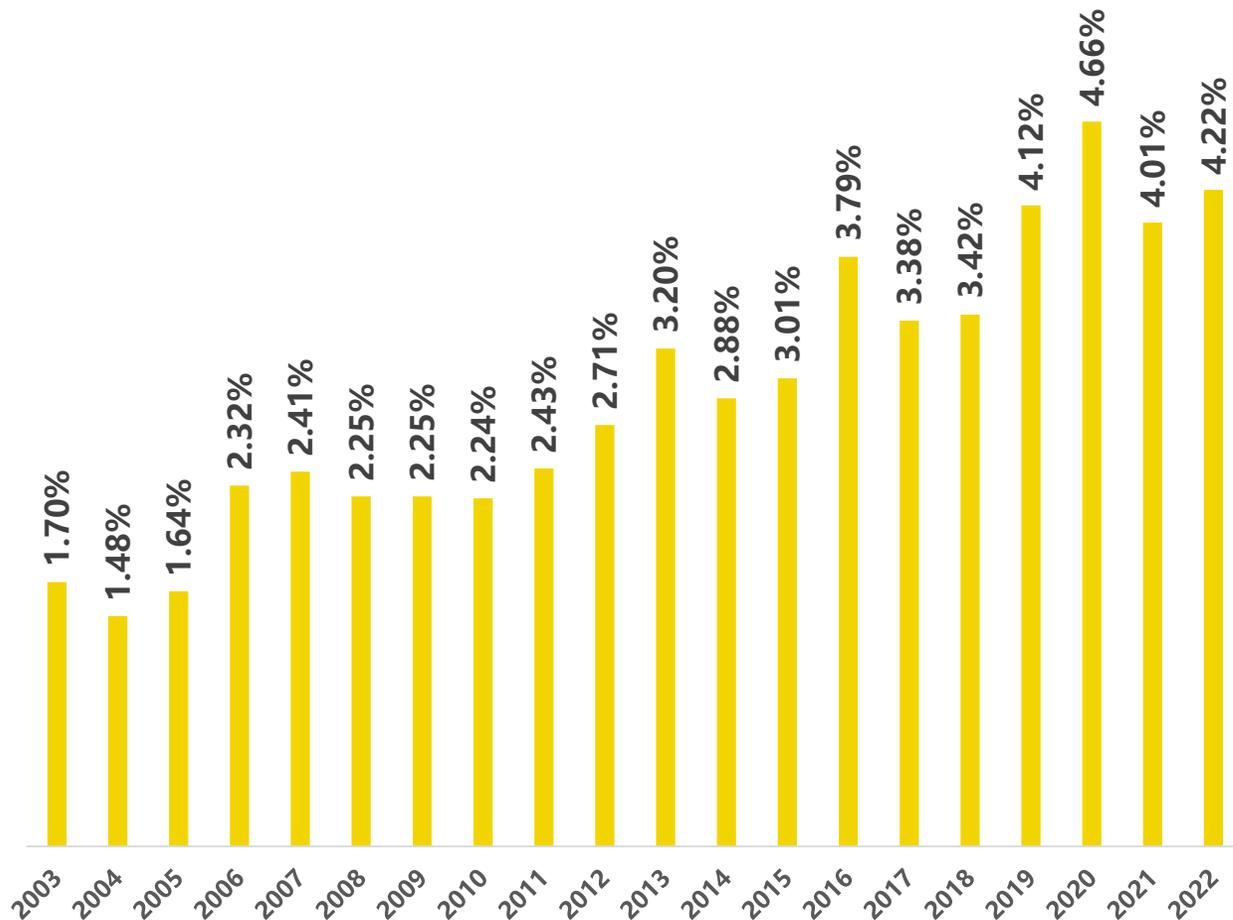




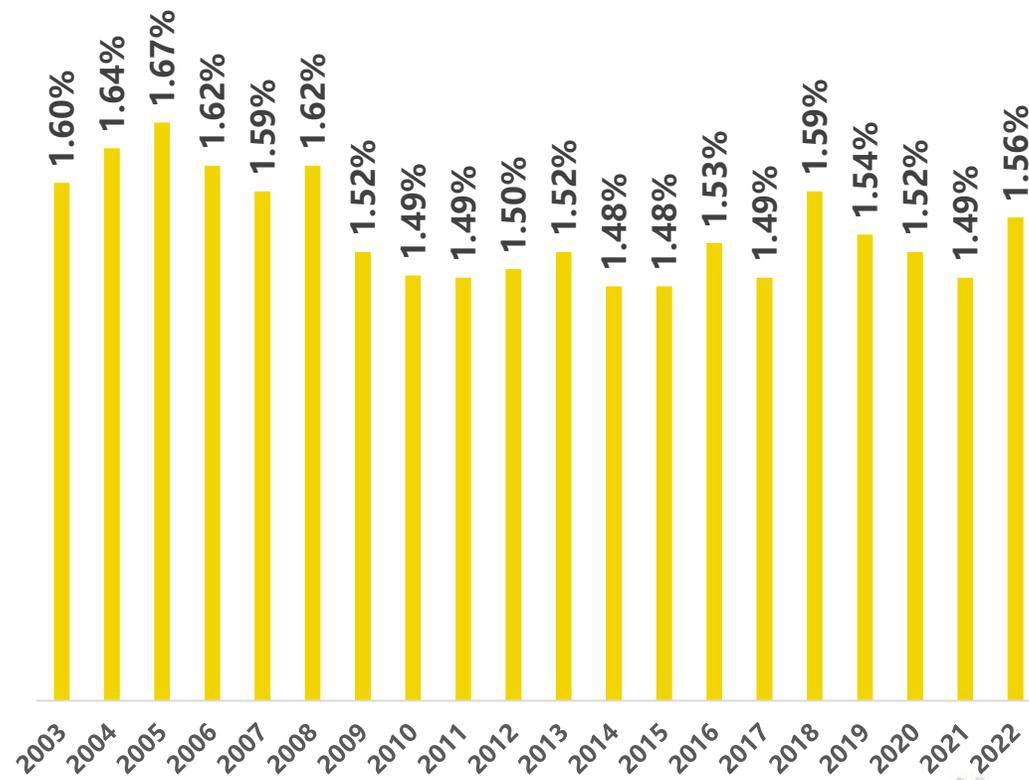
Business Overview

Gross Commission Rate*

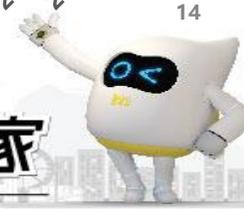
As a % of New Property Price



As a % of Resale Property Price

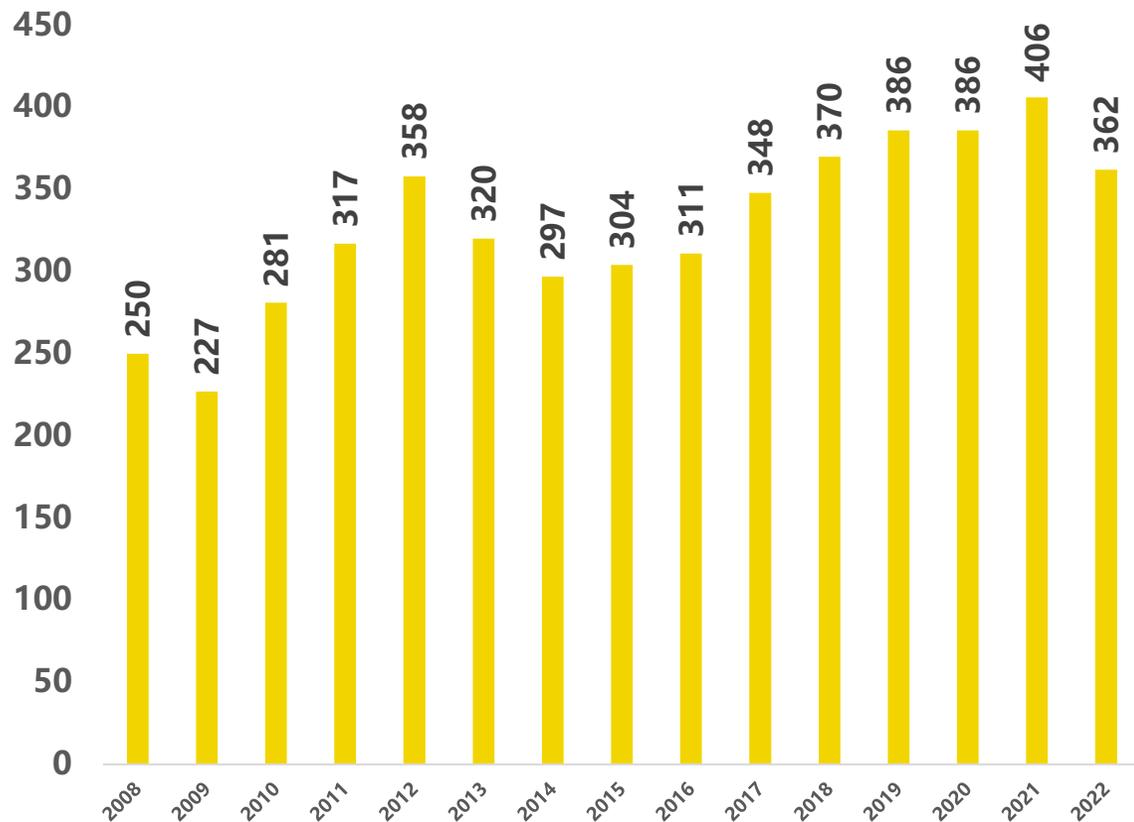


*Local Market

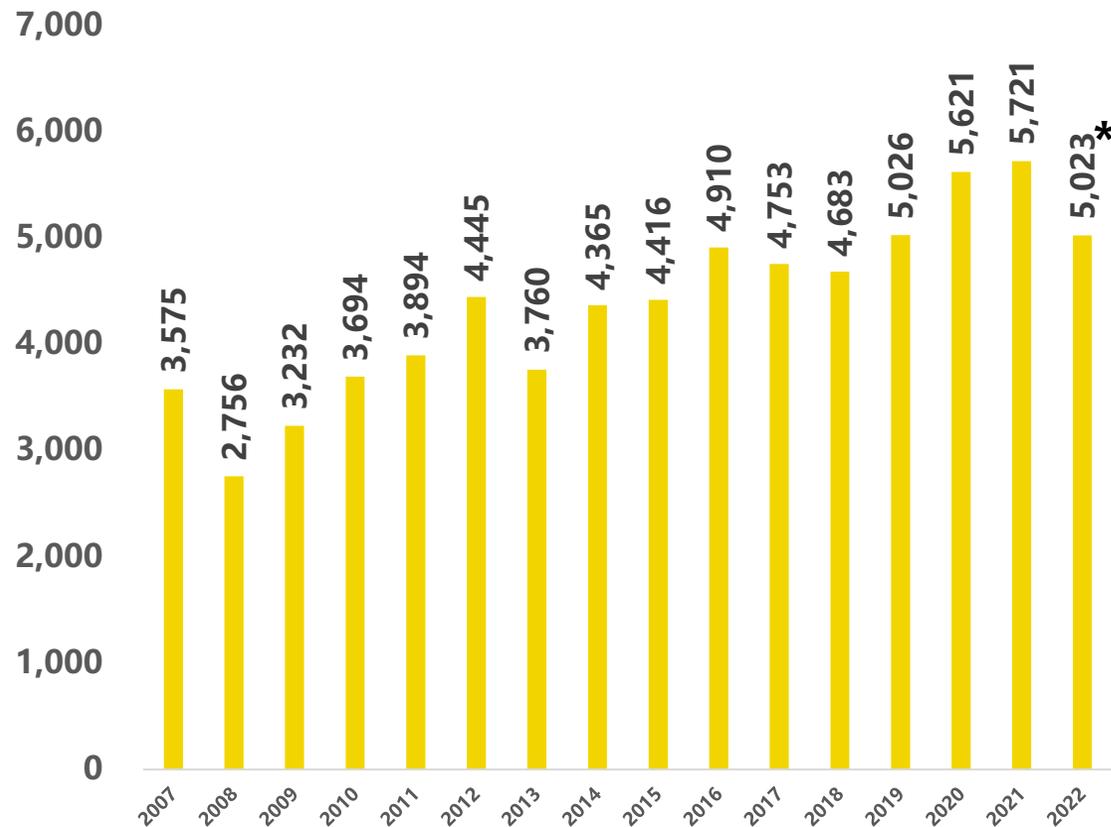


Contraction in HK

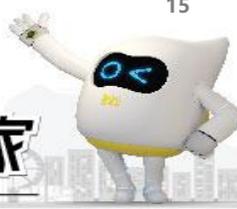
Number of Local Branches
(Not including Midland ICI)



Number of Staff in HK
(Not including Midland ICI)

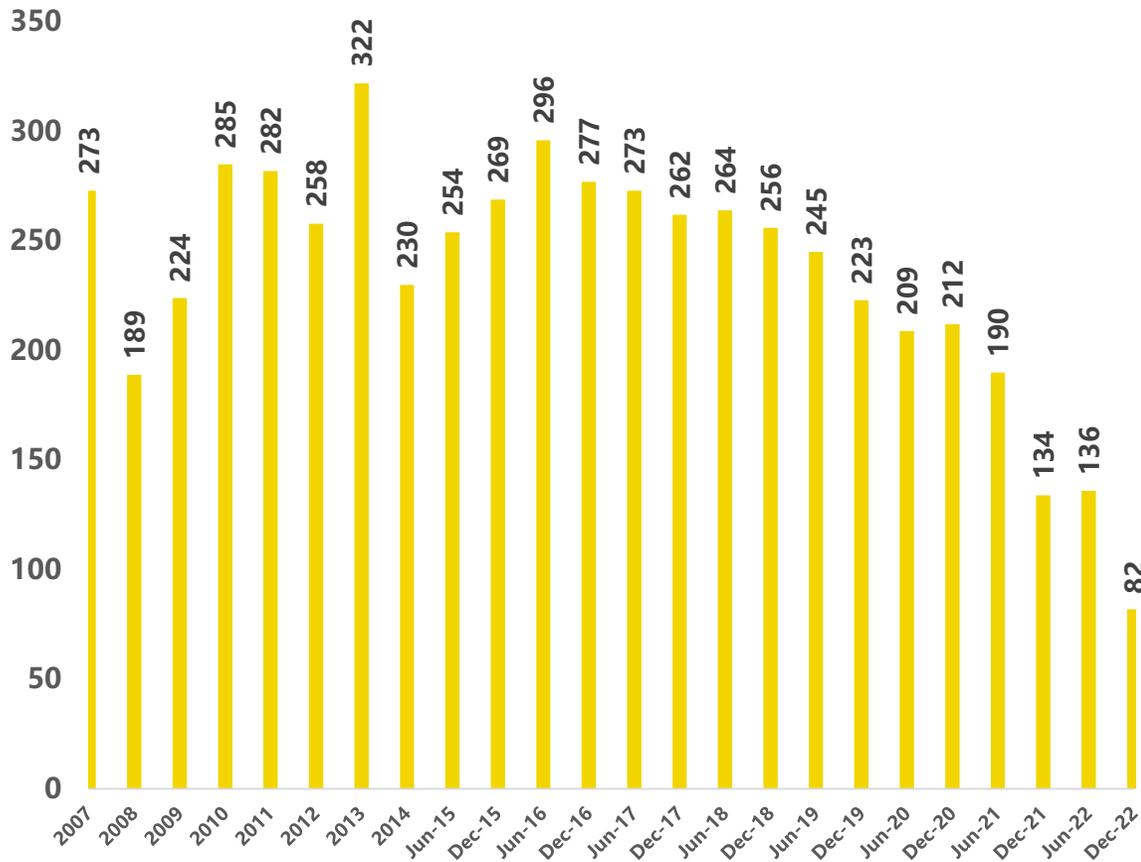


* Some was under no pay leave arrangement

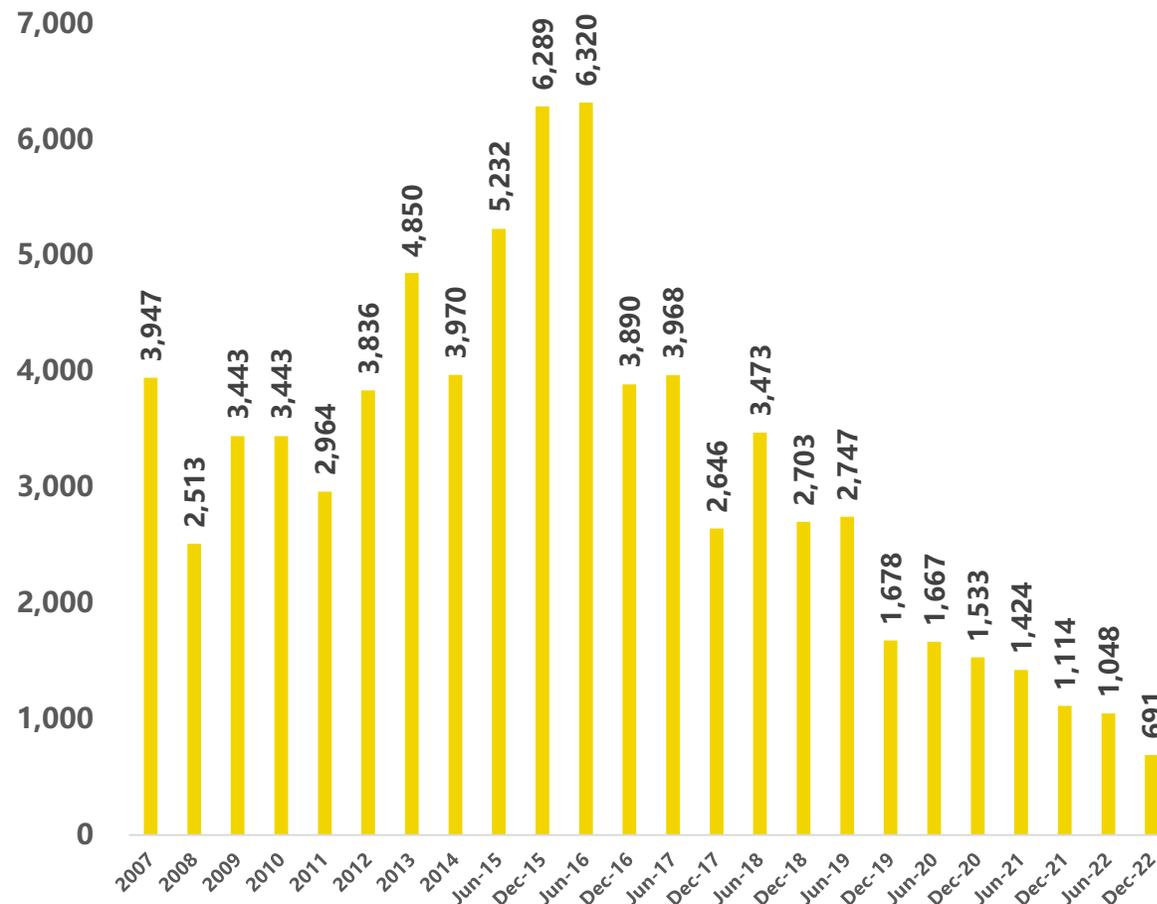


China Division : Deepening Cost Control

Number of Branches in China



Number of Staff in China



Initiatives

- 1** In the second half of 2022, the Group made adjustments to the size of its payroll and the scale of its branch network so as to further improve the operation efficiency. Staff expenses were consequently reduced during the reporting period.
- 2** During the reporting period, Midland Realty, the Group's flagship business unit, continued to gain market share in the primary home market of some strategic locations
- 3** During the reporting period, both the number of VR (virtual reality) tour videos and property listing videos reached a historic high, and the promotional efficiency of digital advertising even increased fivefold. The Midland official website recorded almost 100 million hits in the first half of 2022, with increases in both page views and market share of the online platforms.
- 4** The Group has further expanded the scope of its business to include mortgage referral services, immigration consultancy services, education consultancy services, international property agency services and financial services. These property-related businesses can help strengthen the Group's core business.
- 5** The Group will devise more business initiatives to boost cooperation among various business units and the synergy will offer comprehensive one-stop professional service. And the Group also plans to increase the recruitment of more New Hong Kongers so as to meet with the demand of the mainland clients.

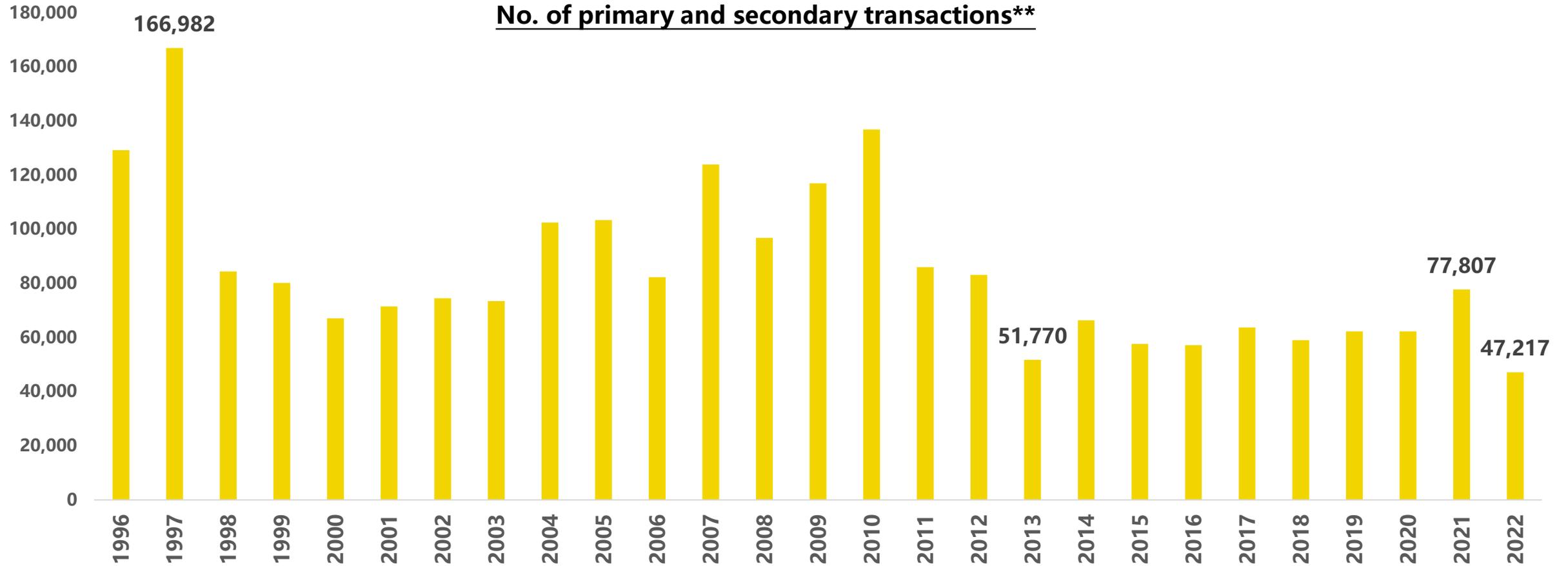




Prospects

2022 : The Worst in 27 years

No. of primary and secondary transactions**

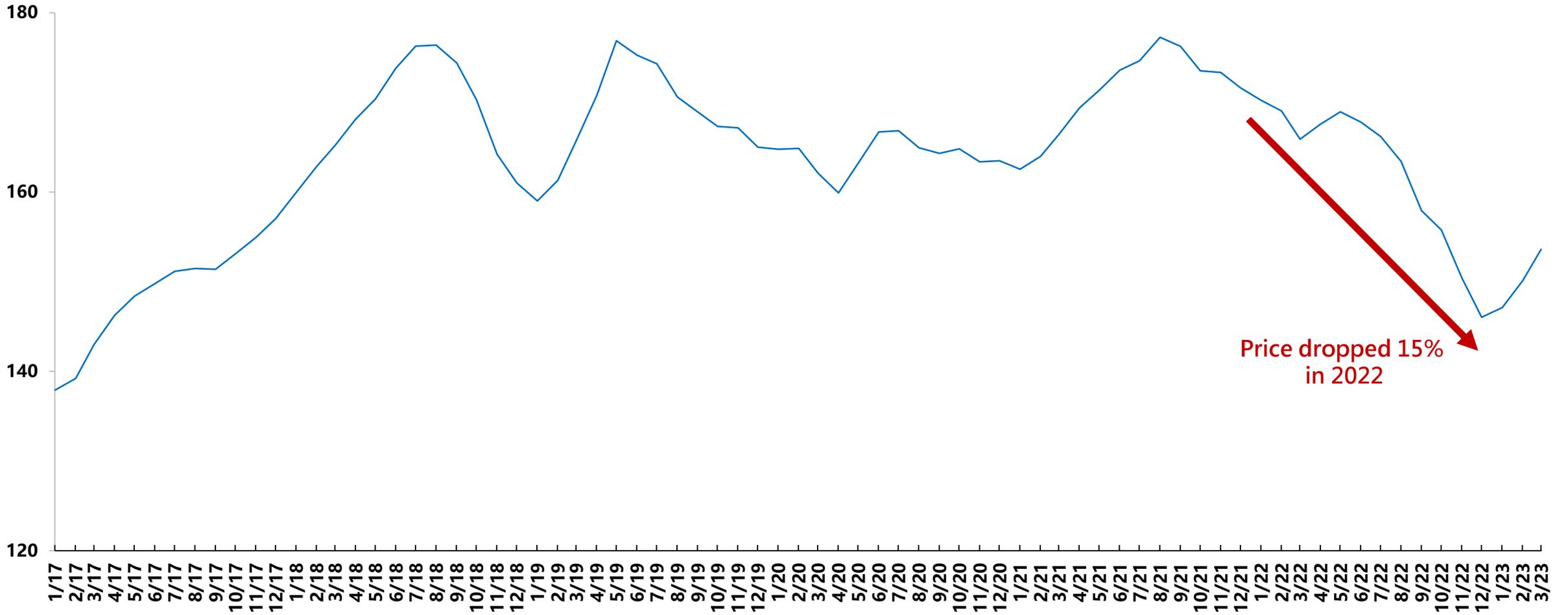


** Transaction volume is from the Land Registry & Midland Realty Research. The statistics generally reflect land transactions executed last month, as it takes about 1 month between the execution of deeds and their lodgment for registration.

Source: Midland Property Data and Research Centre



Price dropped 15% in 2022



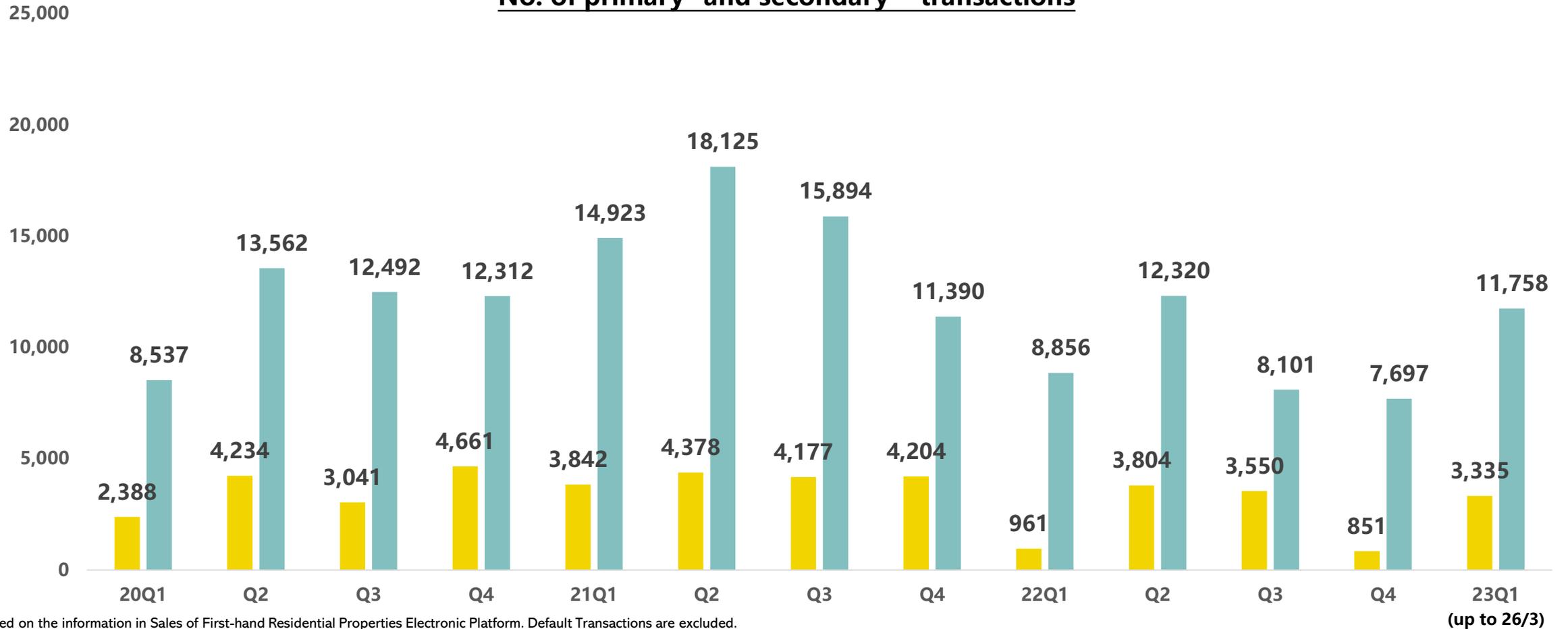
Price dropped 15%
in 2022

* As of 27.3.2023
Source: Midland Property Data and Research Centre



Property Market: Residential transaction rebounded strongly

No. of primary* and secondary** transactions



* Based on the information in Sales of First-hand Residential Properties Electronic Platform. Default Transactions are excluded.

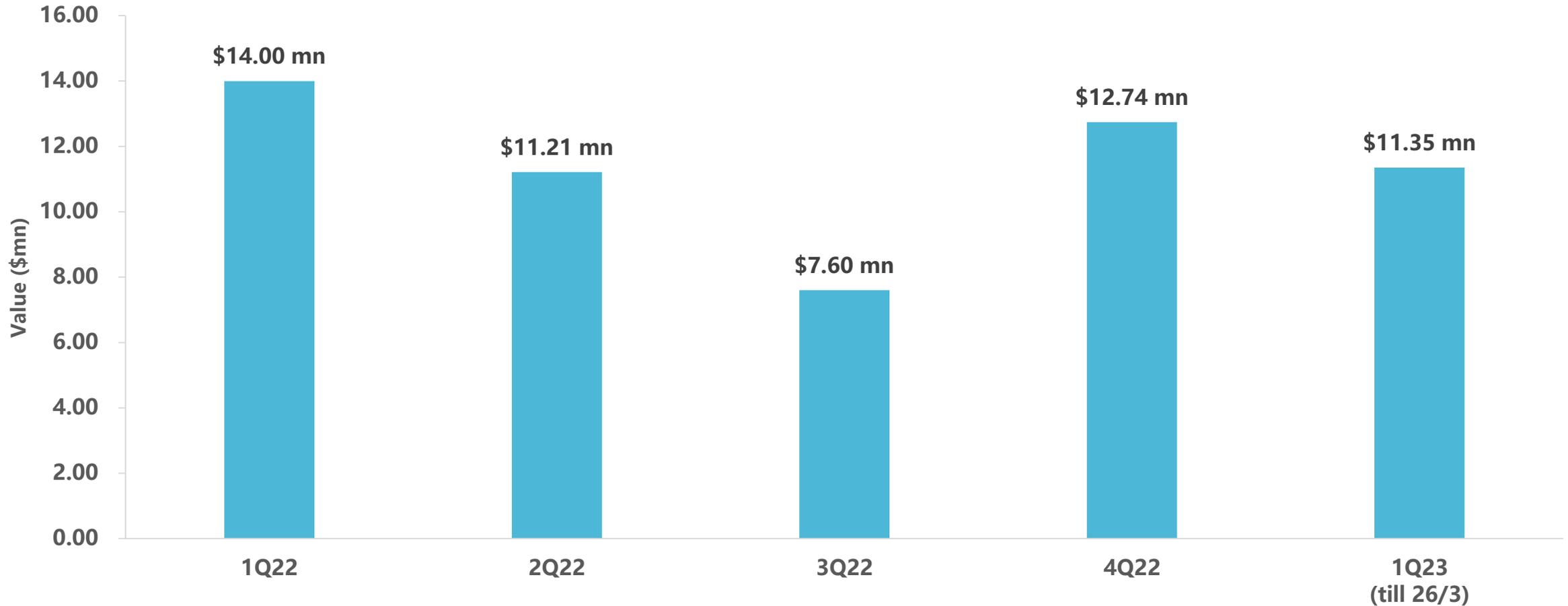
** Transaction volume is from the Land Registry & Midland Realty Research. The statistics generally reflect land transactions executed last month, as it takes about 1 month between the execution of deeds and their lodgment for registration.

Source: Midland Property Data and Research Centre



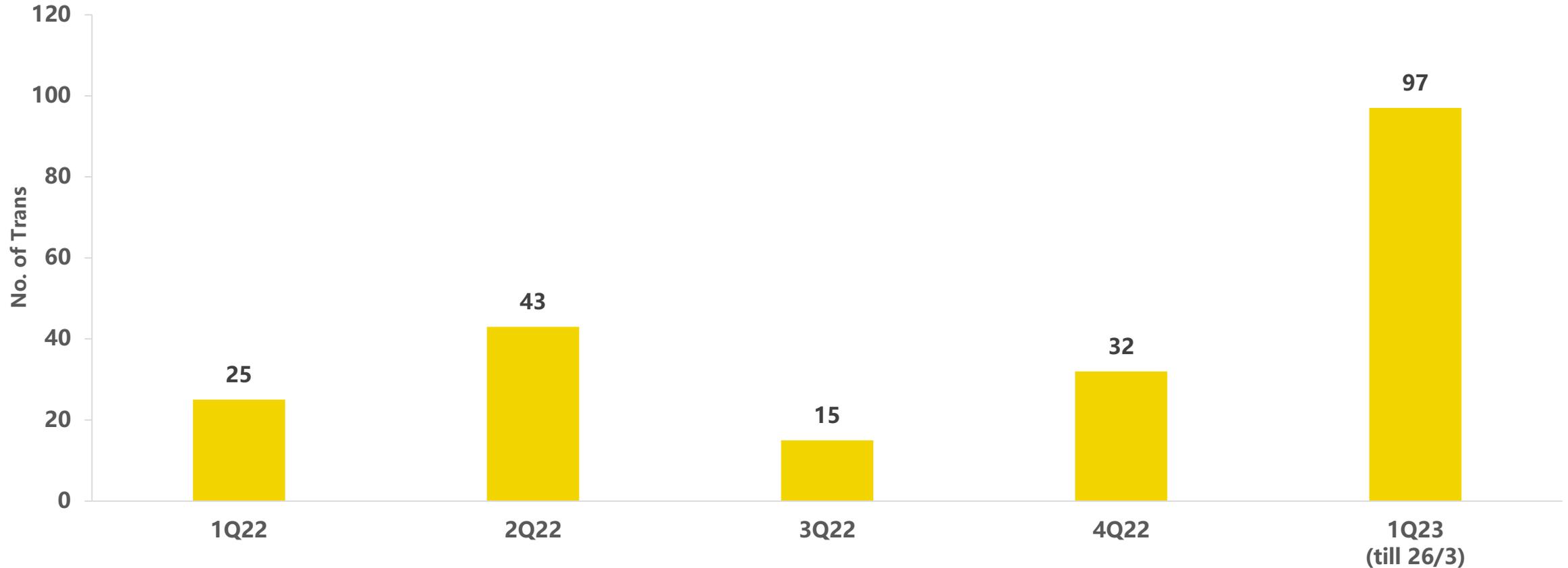
Primary Market : Not just about small units

Average Primary Transaction Value



Based on the information in Sales of First-hand Residential Properties Electronic Platform as of 22nd Mar 2023. Default transactions will be excluded and therefore data may be revised in future.

Primary Market : over \$50mn also performed well

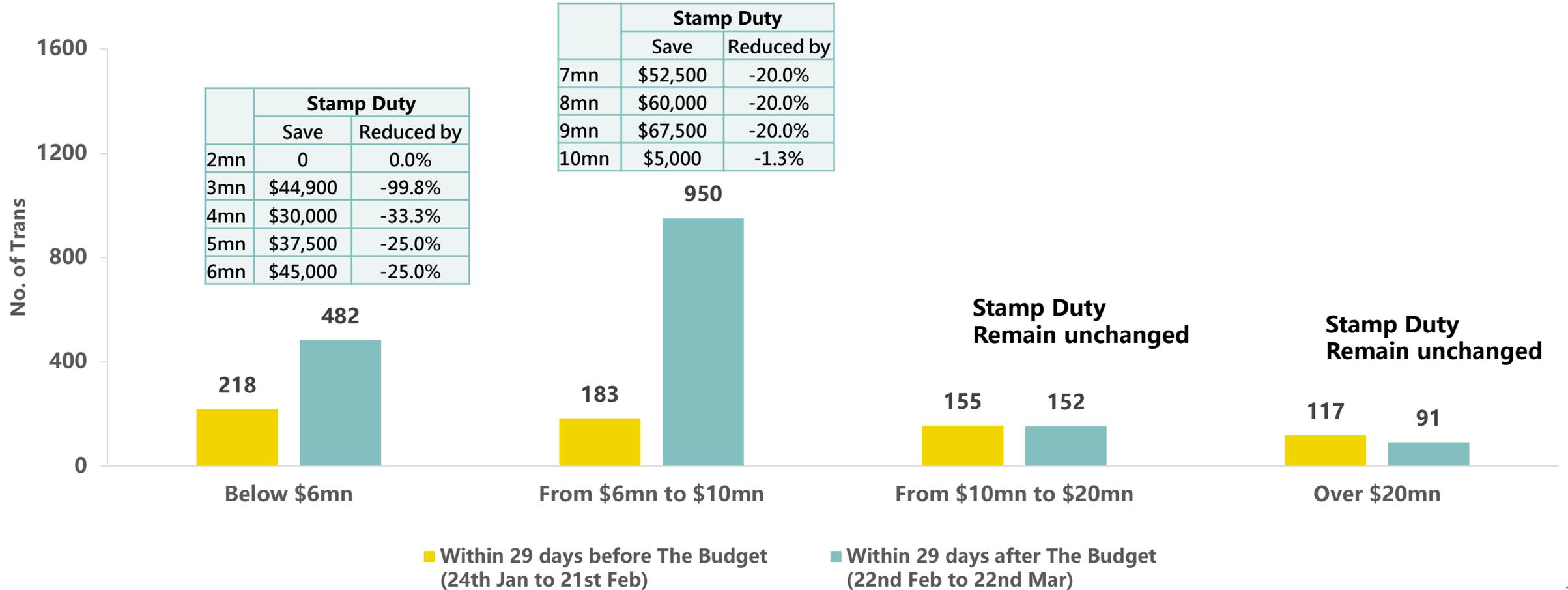


Based on the information in Sales of First-hand Residential Properties Electronic Platform as of 22nd Mar 2023. Default transactions will be excluded and therefore data may be revised in future.



Primary Transactions worth under \$10mn benefited the most from cut in stamp duty

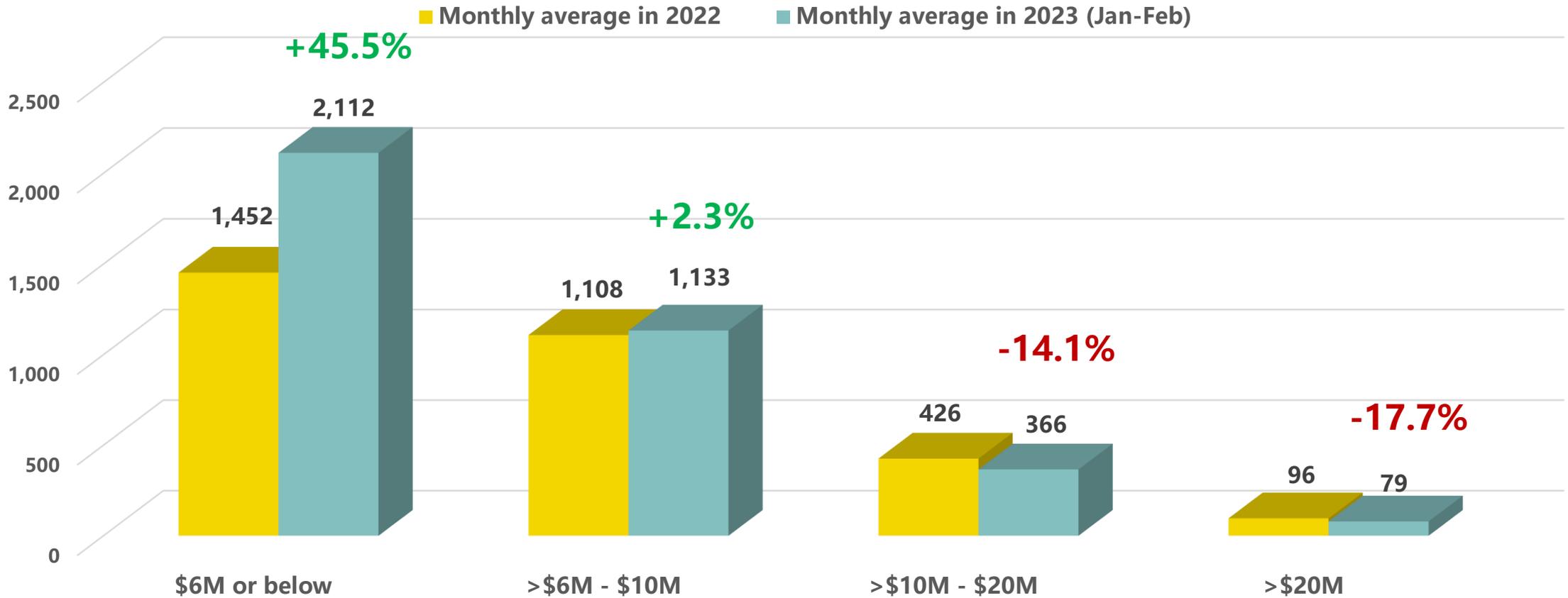
No. of Primary Transactions before and after The 2023-24 Budget



Based on the information in Sales of First-hand Residential Properties Electronic Platform as of 22nd Mar 2023. Default transactions will be excluded and therefore data may be revised in future.



Low-end still performed better (Secondary market)

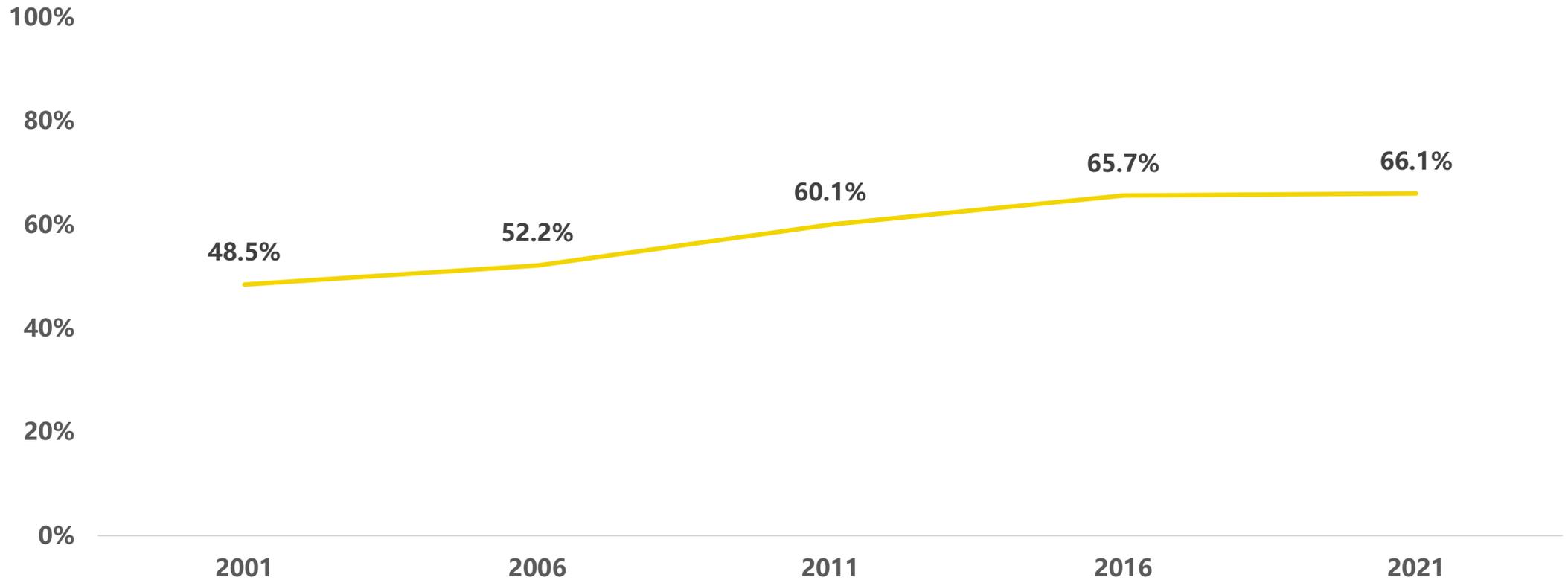


Source: Midland Property Data and Research Centre



Huge underlying upgrading power

Proportion of Owner-occupiers* without mortgage payment and loan repayment

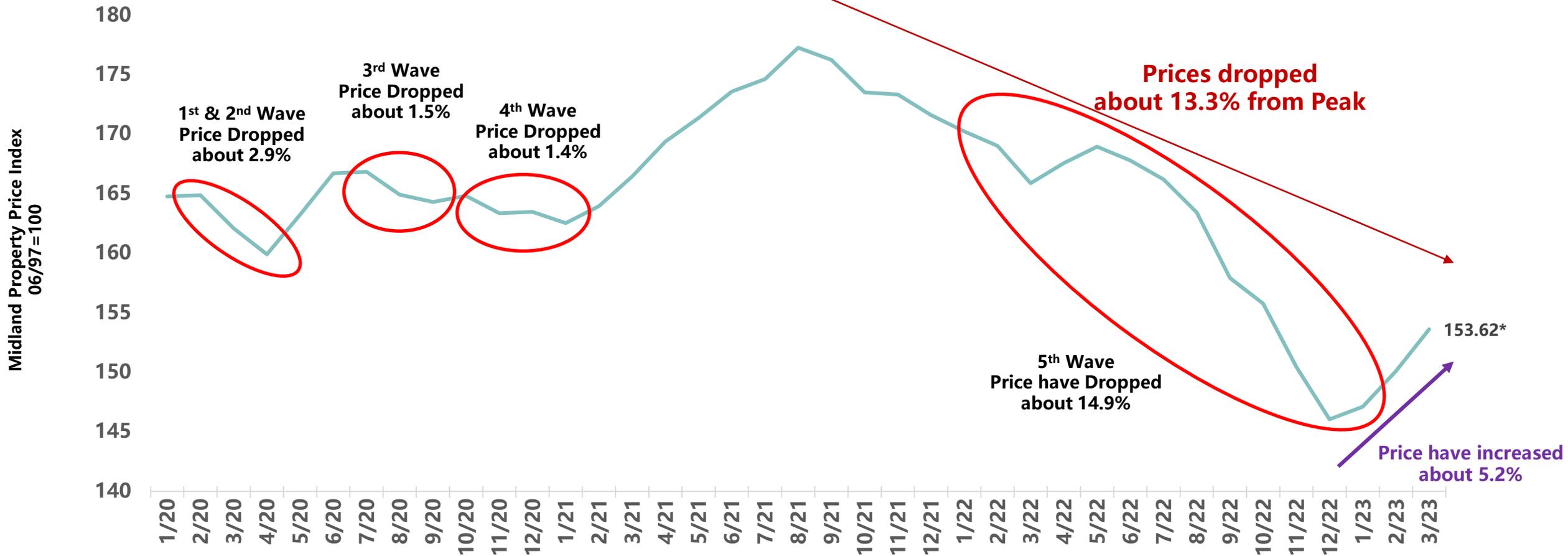


* Owner-occupiers refer to the domestic households which own the quarters they occupy

Source: Census and Statistics Department



Property prices have increased over 5% since border opening

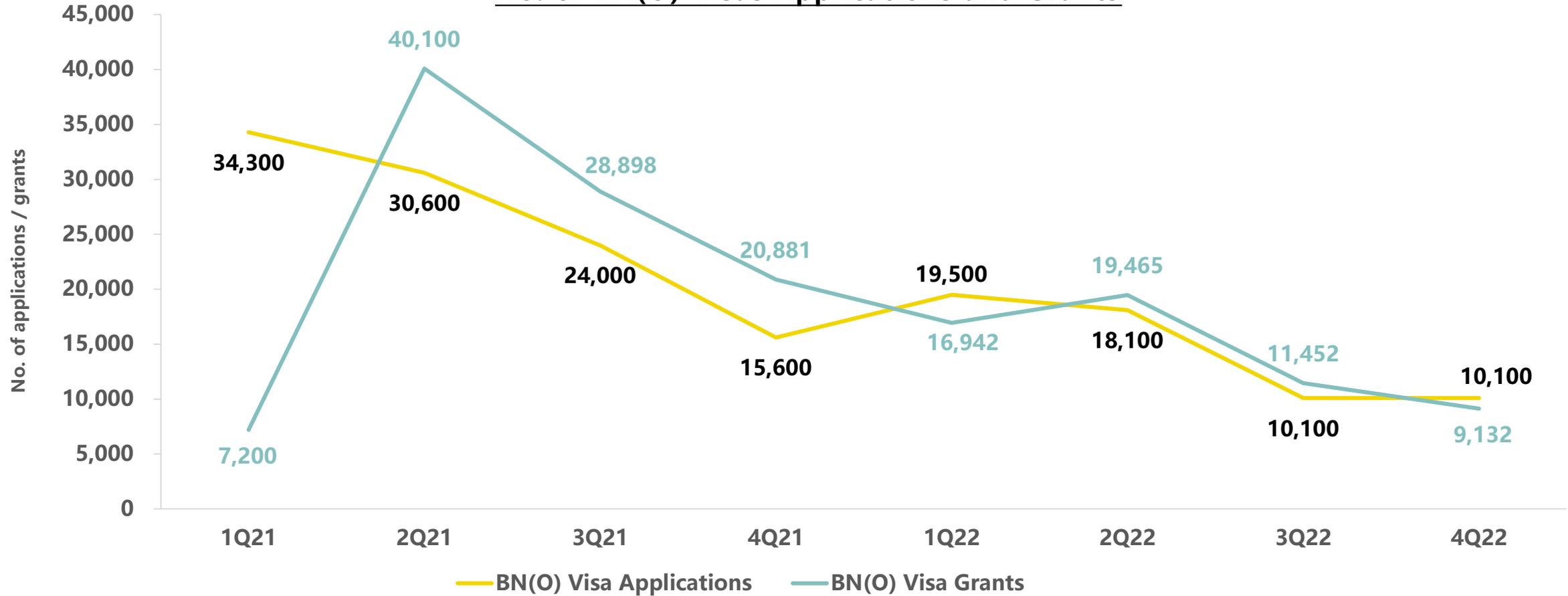


* As of 27.3.2023
Source: Midland Property Data and Research Centre



Immigration may have reached the peak

No. of BN(O) Visas Applications and Grants



Source: Home Office UK



Rents has also rebounded



*Provisional Figures

Source: Midland Property Data and Research Centre



TALENTS RECRUITMENT PROGRAMS

Top Talent Pass Scheme **NEW**

Eligible talents will include **either one**:

1. Individuals whose annual salary reached HK\$2.5 million or above in the past year;
2. Individuals graduated from the world's top 100 universities with at least three years of work experience over the past five years;
3. Individuals who graduated from the world's top 100 universities in the past five years and have yet to fulfil the work experience requirement.

Quality Migrant Admission Scheme (QMAS)

Selection on the basis of age, financial requirement, good character, language proficiency and educational qualification.
Annual cap of 4000 applicants
NEW ▶ Not subject to any quota for a period of two years

Technology Talent Admission Scheme (TechTAS)

1. no known record of serious crime
2. the employing company has a valid quota approved by ITC
3. employed as a full-time employee in the HKSAR
4. engaged principally in conducting R&D in the areas
5. degree-holder in science, technology, engineering or mathematics

NEW ▶ Lifting the requirement for technology firms to employ additional local employees while admitting talents outside HK

Immigration Arrangements for Non-local Graduates (IANG)

1. **NEW** ▶ students who have obtained an undergraduate or higher qualification in a full-time and locally in HKSAR
2. (Non-local fresh graduates) not required to have secured an offer of employment upon application
3. (Returning non-local graduate) required to secure an offer of employment upon application and the remuneration package is at market level

Extending the limit of stay from 1 year to 2 years

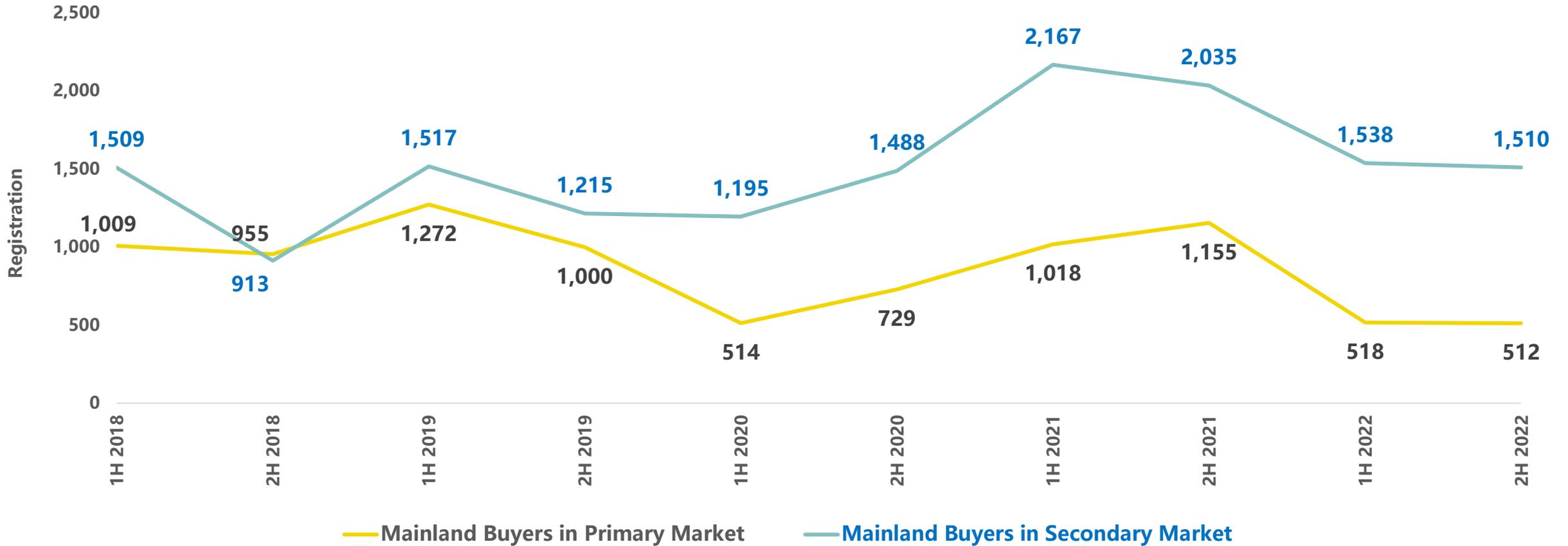
Admission Scheme for Mainland Talents and Professionals (ASMP)

1. no known record of serious crime
2. good education background, normally a first degree in the relevant field or relevant professional abilities
3. confirmed offer of employment
4. there is a genuine job vacancy

NEW ▶ Added a fast track (no need to prove recruitment difficulties)
 1st condition: The position meets the "13 Talent List"
 2nd condition: Recruitment annual salary of HKD 2.5 million or above (1:1)



Involvement of Mainlanders



— Mainland Buyers in Primary Market

— Mainland Buyers in Secondary Market

Note:

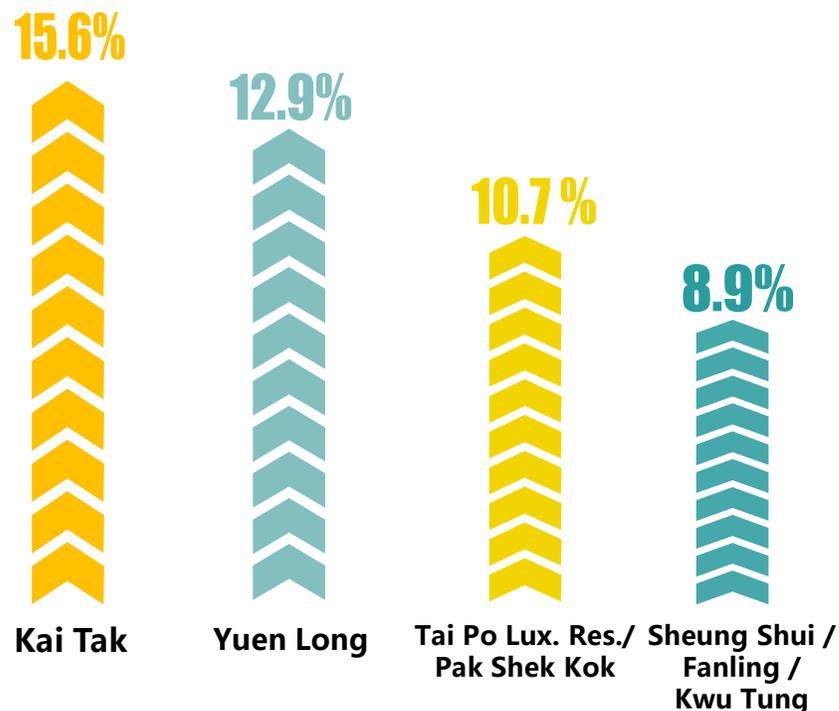
- 1) English and Romanized names are the subject in determining if a buyer is mainlander;
- 2) Only known cases are considered in calculation, and company cases are excluded;
- 3) Figures in secondary market include public housing;
- 4) Because of the time needed in registration, figures generally represent the market one month prior;

Figures are preliminary and subject to change Source: Land Registry and Midland Property Data and Research Centre

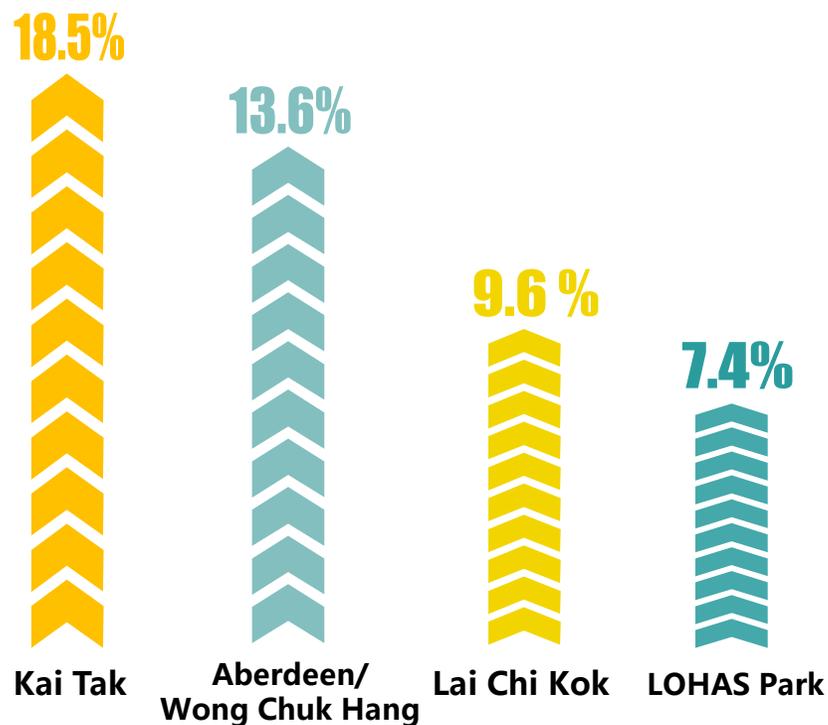
What do Mainlanders Like

Top choices of Mainlanders in Primary Market

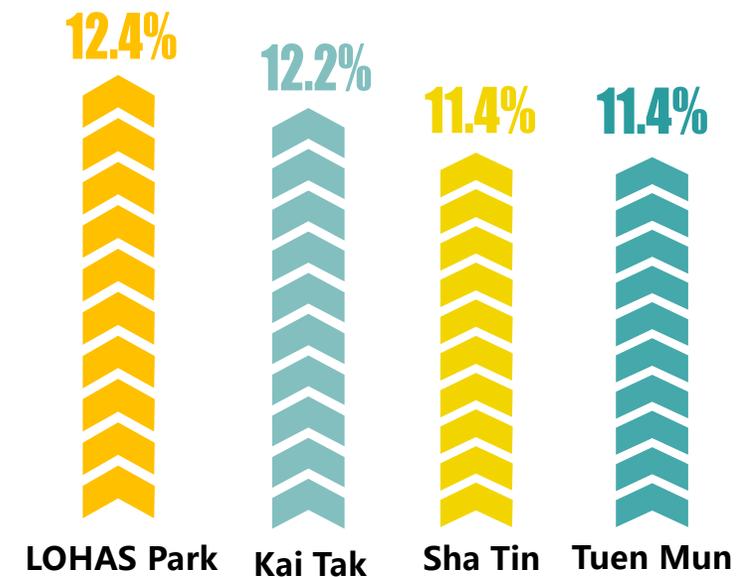
Year 2022



Year 2021



Year 2020



Note:
 1) English and Romanized names are the subject in determining if a buyer is mainlander;
 2) Only known cases are considered in calculation, and company cases are excluded;
 3) Because of the time needed in registration, figures generally represent the market one month prior;
 *Figures in 1H 2021 are preliminary and subject to change
 The boundaries of the district adopted in 2022 are not comparable with those adopted in 2011 or before.
 Source: Land Registry and Midland Property Data and Research Centre



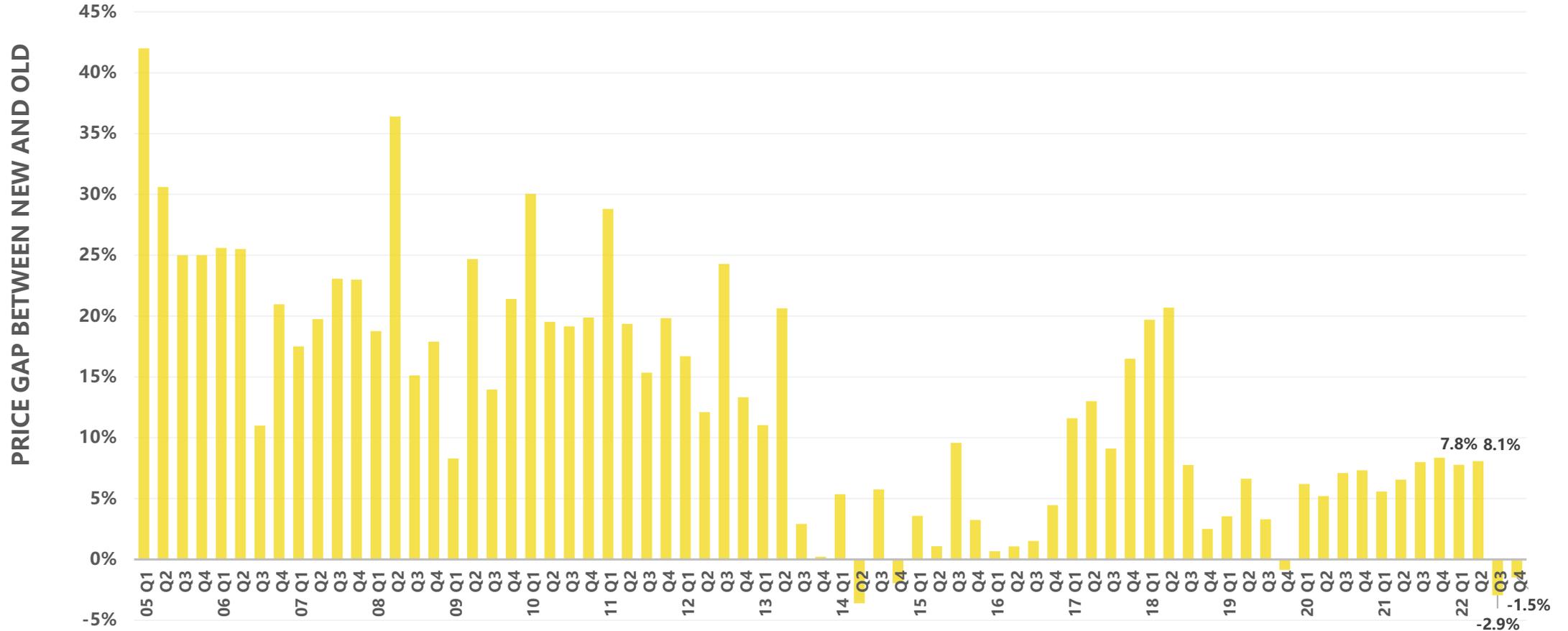
Northern Metropolis



* Over the period from April 2020 to April 2021



Price Differential between the New and Old Units

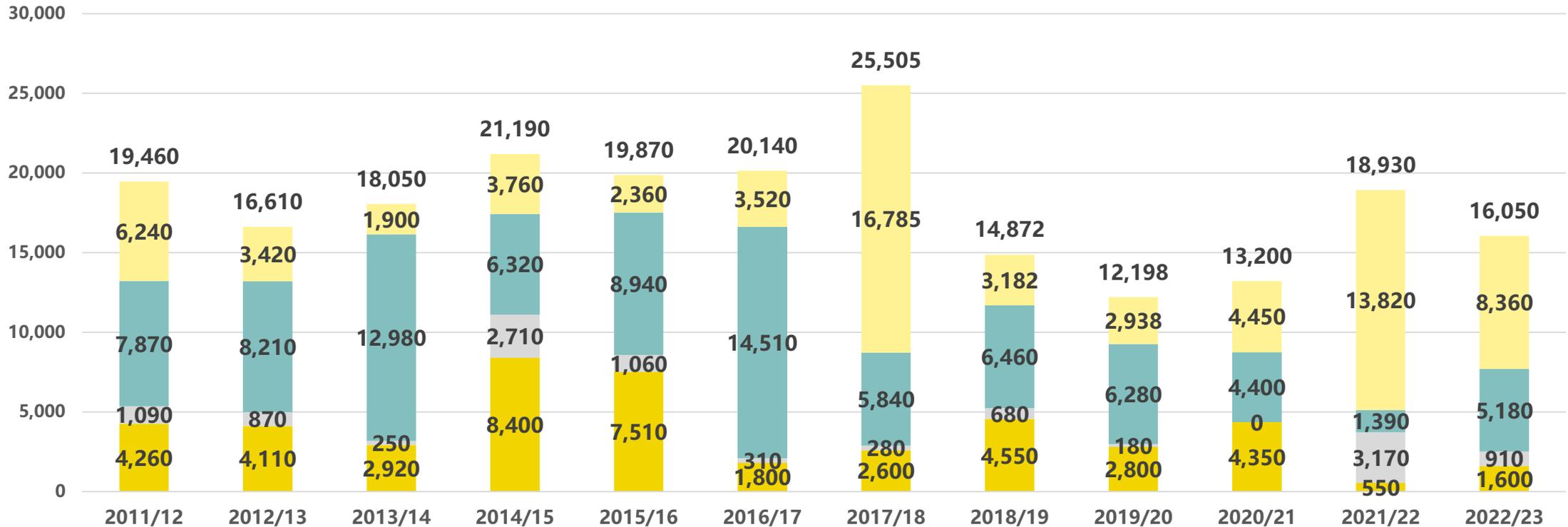


Source: Midland Property Data and Research Centre



Land Supply increase is not enough to make up the shortfall

■ Railway property development projects
■ Private redevelopment/development projects
■ Projects of Urban Renewal Authority
■ Total
■ Government Land Sale Programme

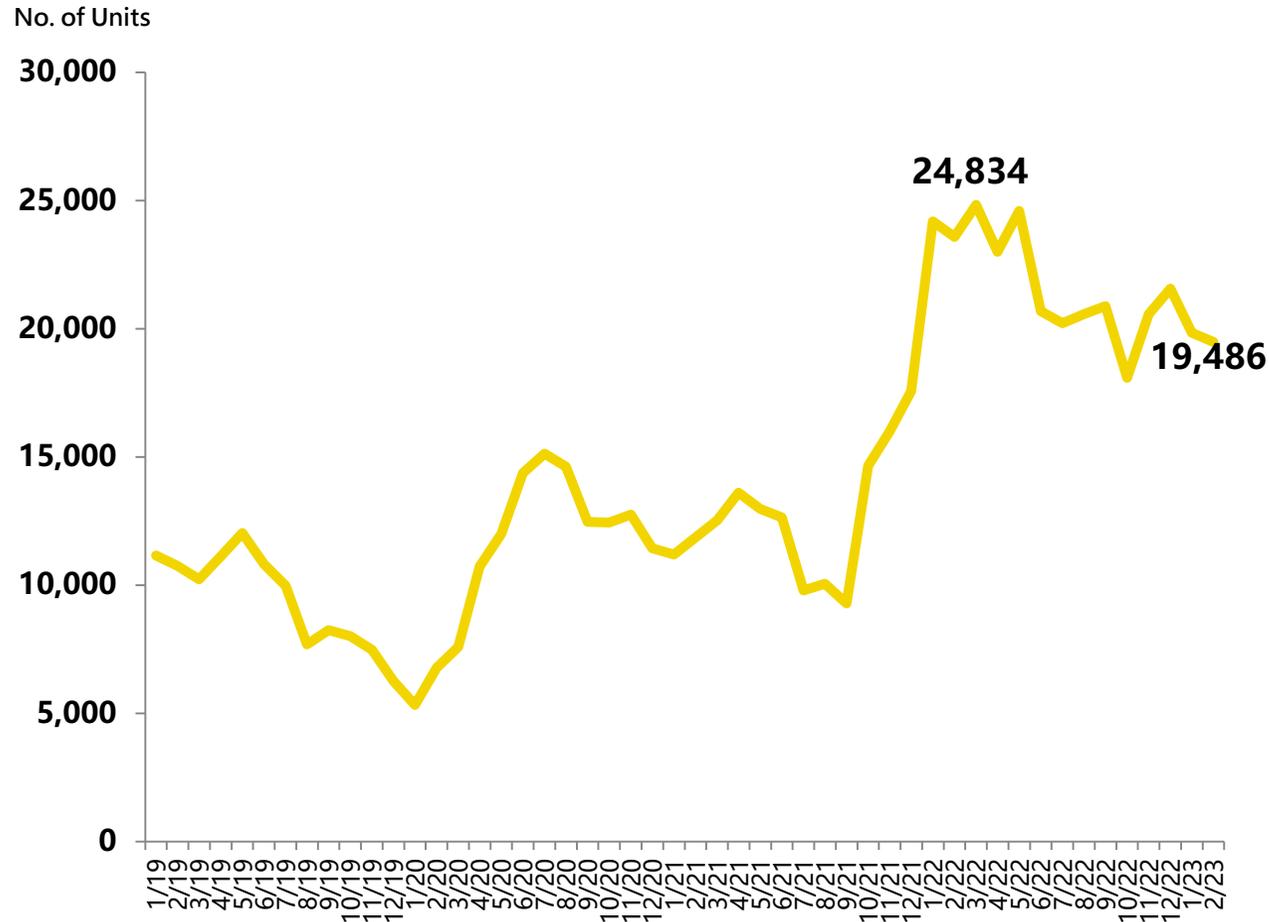


Remarks: Actual flat number is subject to developers' design and will be adjusted at the end of the financial year with reference to the actual land supply.

Source: Development Bureau

Last Update Date: 23.2.2023

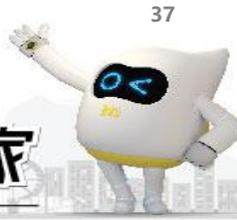
Pending Approval of Presale Consent



New application for Presale Consent
 2023 First 2 Months : 467 units
 2022 First 2 Months : 6,795 units
 (-93.1%)

Presale Consent Approved
 2023 First 2 Months : 2,549 units
 2022 First 2 Months : 471 units
 (+441.1%)

The above projects include private and subsidized sale housing
 Source : Lands Department & Midland Property Data and Research Centre



Where do the New Projects Come from?

Presale Consent Approved but not yet launched
(up to 26.3.2023):

District	Address / Development Name	No. of Units
Mid-Levels	21 Borrett Road (Phase 2)	66
Wong Chuk Hang	Wong Chuk Hang station (Phase 4A & 4B)	800
Central	ONE CENTRAL PLACE	121
North Point	Victoria Harbour (Phase 2B-2)	123
North Point	Victoria Harbour (Phase 2B-3)	228
Kai Tak	No. 8 Muk Tai Street	740
Kai Tak	No. 15 Shing Fung Road (phase 1, 2)	2,138
Kai Tak	No. 19 Shing Fung Road (Phase 1-3)	1,590
Kai Tak	No. 23 Shing Fung Road (Phase 2)	571
Ho Man Tin	No. 233 Prince Edward Road West	75
Ho Man Tin	Ho Man Tin station (Phase 1A)	447
Beacon Hill	No. 9 Yin Ping Road (Phase 1)	332
Sham Shui Po	No. 280 Tung Chau Street	262
Kwun Tong	KOKO HILLS (Phase 3B)	444
TKO	Lohas Park station (Phase 11D)	644
Tai Po	No. 63 Yau King Lane (Phase 2A & 2B)	1,295
Tuen Mun	Novoland (Phase 2A)	929
Yuen Long	The YOHO Hub (Phase C)	939
Yuen Long	Grand Mayfair III	680
Others		120
Total		12,544

Presale consent Approved : **12,544**

Pending Approval of Presale Consent (up to Feb 2023)

District	Address / Development Name	No. of Units
Wong Chuk Hang	Wong Chuk Hang station (Phase 3B & 3C)	1,200
Ho Man Tin	Ho Man Tin station (Phase 2A & 2B)	990
Ho Man Tin	Ho Man Tin station (Phase 1C)	214
Kowloon Tong	188 Lung Cheung Road (Phase 1-4)	133
Cheung Sha Wan	No. 28 Tonkin Street	198
Kai Tak	No. 18 Shing Fung Road (Phase 1-4)	2,060
Kai Tak	No. 10 Concorde Road (Phase 1, 2)	1,490
Kai Tak	No. 26 Shing Fung Road (Phase 1, 2)	439
Kai Tak	No. 22 Shing Fung Road	566
Kai Tak	NKIL 6603	702
Yau Tong	No. 8 Tung Yuen Street (Phase 1)	228
Yau Tong	NKIL 6602	792
Kowloon Bay	No. 55 Kwun Tong Road	807
TKO	Lohas Park station (Phase 12A, 12B & 12C)	1,985
Tuen Mun	Novoland (Phase 3A & 3B)	1,303
Tuen Mun	No. 18 Kwun Chui Road	698
Yuen Long	No. 1 Hung On Lane (Phase 1, 2)	1,025
Tin Shui Wan	Project at Tin Wing Stop (Phase 1)	1,393
Sai Kung	Shap Sze Heung (Phase 1A,1B, 2A)	2,302
Kwun Tong	No. 18 On Hei Street (Subsidised Sale Flats)	422
Others		539
Total		19,486

Pending Approval : **19,486**

Source : Lands Department & Midland Property Data and Research Centre

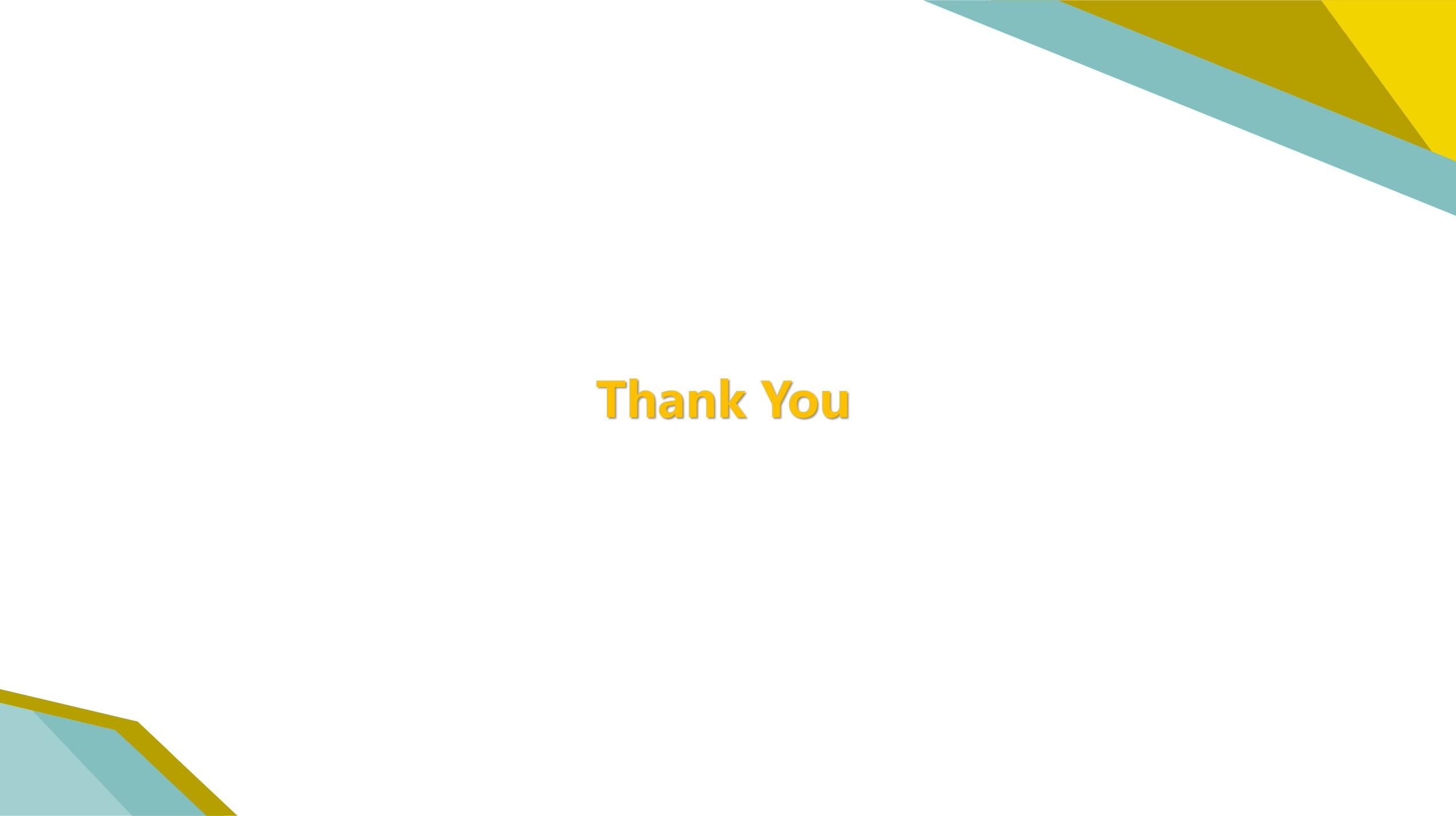
Market in 2023

Primary Transaction Volume : 16,000

Secondary Transaction Volume: 50,000

Home Prices: increase 10%





Thank You